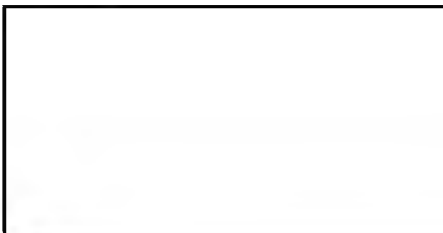


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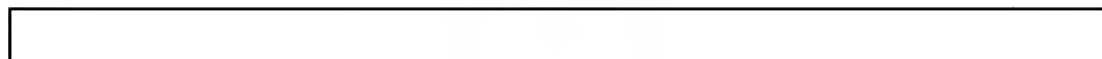


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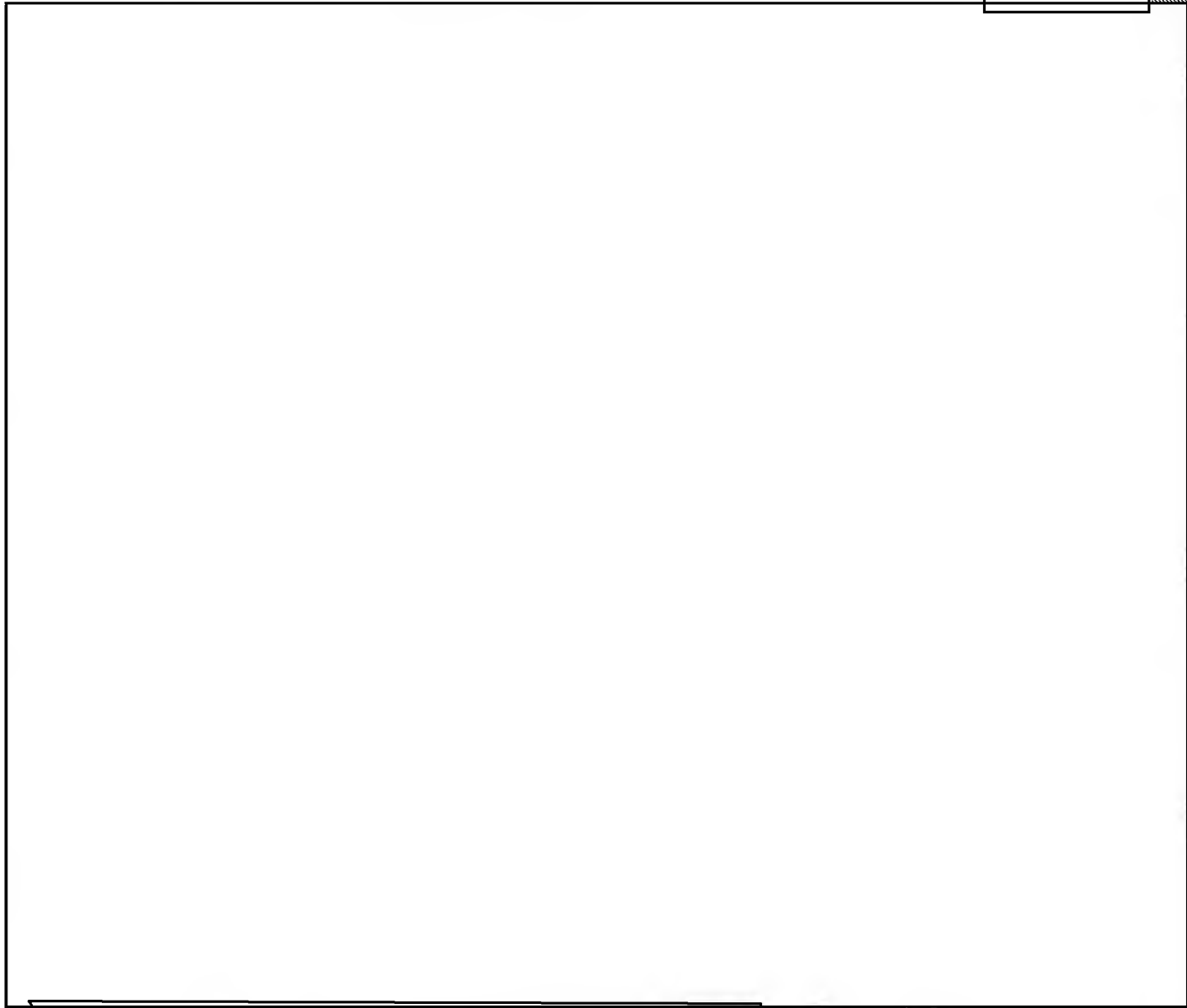
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DAILY BRIEF



*Communist China - Albania: in contrast to the Soviet Union and East European satellites, which have publicly shown

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their displeasure with Albania's "deviationism" since the Moscow conference last November, Communist China continues to play up the "inviolable" friendship between Peiping and Tirana. On 2 February, Peiping announced the signing of six documents concerned with economic relations negotiated during the current visit to Peiping of an Albanian delegation. Details of the agreements have not yet become available, but a new Chinese loan to Albania may be involved. In discussing the agreements, the Peiping People's Daily on 3 February, in an apparent jibe at Moscow, emphasized the correctness of the statement in the Moscow declaration of last November that socialist countries "big and small" have equal rights and should "support each other." [redacted]

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Page 1)

*Ceylon: Prime Minister Bandaranaike's government continues to encourage closer economic and diplomatic contacts with the bloc. The six-month-old government under Mrs. Bandaranaike is motivated primarily by an urge to demonstrate its neutralist position, while at the same time profiting from favorable trade and aid terms offered by the bloc. In addition to encouraging more active Soviet participation in development projects and "diversifying" Ceylon's trade by allowing bloc countries a

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DAILY BRIEF

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larger--though still limited--share, Colombo has frequently taken positions favorable to the bloc on major international issues, particularly in its role as a current member of the UN Security Council. Mrs. Bandaranaike plans to visit the USSR in March after the Commonwealth prime ministers' conference in London--her first official trip abroad and the first visit to Moscow by a Ceylonese head of Government. [REDACTED]

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[REDACTED] 25X1

[REDACTED] 25X1

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*Portugal: Some of Premier Salazar's staunchest supporters are reported to be shocked by his inability to cope with the situation produced by the seizure of the Santa Maria and to have stated [REDACTED] that he must be replaced at some time in the "not too distant future." No precipitate action is likely, but the various factions within the regime will probably make an early attempt to reach agreement among themselves regarding a successor. [REDACTED]

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DAILY BRIEF

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New Economic Agreements Reaffirm Sino-
Albanian Friendship

The Albanian regime, which supported Communist China in its dispute with Moscow, has been under fire from the Soviet bloc since the end of the Moscow conference in early December. East German party boss Ulbricht on 18 December publicly accused Albania's Enver Hoxha of adhering to "dogmatic and sectarian" positions at the conference. This is the first such censure since the 1948 break with Tito. Other European satellites and the USSR also have slighted the Albanians on a number of occasions. Moscow's New Year's greetings to Albania omitted the usual introductory phase "dear comrades," and its 11 January greetings on the anniversary of the proclamation of the "people's regime" in Albania, addressed only to titular head of state Lleshi, mentioned only the Albanian people and not the party. On the same day, an article in the leading Bulgarian daily about Albania omitted the customary title "comrade" when speaking of Hoxha.

Tirana, however, has continued to hold to its deviationist positions, probably in large part because of its expectation of continued Chinese Communist support. In contrast with Soviet bloc treatment of Albania, Peiping in its 3 February editorial on the recently signed Sino-Albanian economic agreements, lauded the Albanian regime. It spoke of "the correct leadership of the Albanian Workers' (Communist) party headed by Comrade Enver Hoxha."

Peiping, hoping to retain Albania's support, would probably be willing to give Albania some additional aid despite serious economic troubles at home. Between 1954 and 1958 Peiping granted about \$20,000,000 in economic aid to Albania to finance deliveries of Chinese goods and services. Under an agreement concluded in 1959, the Chinese extended another \$13,800,000 credit to Albania for use between 1961 and 1965. The series of new economic pacts just concluded in Peiping

[redacted]

probably has altered the terms of this agreement by boosting the total amount of aid.

The most notable example of Chinese economic support to Albania during recent months has been the shipment of wheat at a time of critical food shortages in China. In 1960 these exports to Albania totaled about 105,000 tons, only a small part of which came from China, and the rest from Western Europe, Australia, and the USSR; all of it was shipped at the expense of the Chinese, however. Albania also is receiving at least 40,000 tons of the wheat Peiping currently is purchasing from Australia and additional deliveries probably will continue throughout the year.

[redacted]

[redacted]

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Ceylon Encourages Relations With the Sino-Soviet Bloc

The cordial relations established under the leadership of Mrs. Bandaranaike's husband, who was prime minister from 1956 until his assassination in 1959, have been revived during her six months in office. Work on development projects contracted for under the Soviet Union's \$30,000,000 credit of 1958 is being stepped up. Six Soviet experts arrived on 25 January to resume work on plans for the construction of an iron and steel mill near Colombo. Soviet engineers have also presented the Ceylonese with preliminary plans for a flood-control scheme and an automobile tire and tube factory to be partially financed by Moscow.

The Ceylonese finance minister, who plans to accompany Prime Minister Bandaranaike on her London-Moscow-Cairo trip, probably will discuss other projects available under the credit agreement as well as recent Soviet offers of civil aircraft, pilot training, and refined petroleum products. Moscow has offered petroleum products at prices considerably below those of the Anglo-American consortium, which is the sole local importer and distributor of these products.

Colombo's attempt to equalize its economic relations with the Communist bloc and the free world has resulted in new trade negotiations with various Communist governments. Since last December, Ceylon has contracted for a total of 79,000 tons of sugar--chiefly of Cuban origin--from Poland, Czechoslovakia, East Germany, and the USSR; Ceylon in the past has relied on free-world sources for most of the 150,000 tons of sugar required annually. The government may also be considering the proposal made recently by a visiting East German trade union delegation for a trade agreement; Ceylon now has neither diplomatic nor formal trade relations with East Germany. A trade pact probably would be encouraged by the leftist minister of trade.

Negotiations between Ceylon and Communist China concerning this year's protocol to their second five-year rice-

[REDACTED]
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25X1 rubber barter agreement (1958-62), apparently are not final. It seems likely, however, that the substantially higher level of rice-rubber trade which existed prior to 1960 will be resumed under the 1961 contract. [REDACTED]

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Impact of the Santa Maria Case on the Salazar Regime

The Santa Maria incident has placed Portuguese Premier Salazar in an unfavorable light in the eyes of some strong supporters who had expected vigorous guidance in directing governmental action. Salazar, who is almost 72, reportedly has lost physical and mental vigor since his early January attack of pneumonia. Since the end of 1958, some of his supporters have believed he has outlived his usefulness. Barring a turn for the worse in Portugal's relations with Brazil or unrest of threatening proportions in the African provinces, current dissatisfaction on the part of Salazar's supporters may, however, die down in the next few weeks. Furthermore, there appears to be no one in sight who, in the opinion of the various factions of the regime, could attract general support and carry through a viable successor government.

Among possible successors, Minister of the Presidency Theotónio Pereira is perhaps the leading contender, although the attitude of the armed forces toward him is not at present clear. Others are Defense Minister Botelho Moniz,

and former Minister of the Presidency Marcello Caetano, who is probably the most capable politician among the top proregime civilians.

The irritation shown by top-level Portuguese officials over the US position on the Santa Maria is likely to persist. The Portuguese still resent the US abstention on the UN resolution calling on Portugal to give information on non-self-governing territories. These factors are likely to cause tougher bargaining on the extension of the Azores bases agreement, which expires in December 1962.

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Director of Naval Intelligence, Department of Navy

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